

February 1, 2007

Magalie Roman Salas  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Subject: Powerdale Hydroelectric Project, FERC Project No. 2659  
Request to Cease Generation Early**

Dear Secretary Salas:

On November 7, 2006, the Powerdale project was badly damaged by a debris flow and floodwater in the Hood River, which resulted from more than seven inches of precipitation on Mt. Hood in a 24-hour period. Portions of several glaciers eroded and a massive debris torrent flowed down the mountain, destroying several sections of highway, and significantly damaging numerous irrigation and power diversion structures located along Hood River. Damage to the Powerdale project consisted of destroyed steel and woodstave sections of flowline, flooding of the powerhouse and switchyard, and significant sediment deposition at the diversion dam intake and powerhouse tailrace.

PacifiCorp notified the Federal Energy Regulatory Commission (FERC) on November 8 by telephone of the flood event and associated damage to the project, and on November 22 filed a detailed incident report with the FERC office in Portland, Oregon, outlining actions that the company was undertaking to stabilize the damaged project and ensure public safety. The report was also forwarded to Hossein Ildari of the Division of Hydropower Administration and Compliance in Washington, D.C. The major actions that have been undertaken so far include:

- Blocked public access to all dangerous areas.
- Removed hazardous materials from the shop and chemical storage building to avoid them from becoming inundated during future high-flow events.
- Removed steel flowline sections that collapsed and fell into the river, or were in imminent danger of collapsing.
- Removed the damaged woodstave flowline section and other woodstave sections facing imminent collapse.
- Stabilized remaining woodstave flowline sections to reduce the risk of collapse.
- Installed security bulkhead on all open flowline sections.

The stabilization work is nearly complete; all necessary precautions have been taken and will continue to be taken to ensure public safety. Public access will be restored soon to the recreation area at Powerdale Park near the upper dam site, and the day-use recreation site near the powerhouse. Temporary closings may arise in the future if a situation presents a potential risk to the public.

In order to evaluate options going forward, PacifiCorp performed an economic analysis of project reconstruction versus cessation of generation. A reconstruction schedule was developed that would put the plant back in service by June 30, 2007. The estimated cost to stabilize, rebuild and restore operations is \$4.46 million. A financial analysis was performed using this figure and the following assumptions: 1) formal decommissioning begins April 2010 in accordance with the FERC Order Amending License, Accepting Surrender, and Dismissing Application For New License issued November, 2005; and 2) the plant could potentially generate only 47,000 megawatt hours over the remaining three years of operations. The analysis concluded that there would be a substantial savings to the customer/ratepayer from ceasing generation versus restoring project operations for the remaining three-year period of operation. The loss of generation will be replaced by generation from other PacifiCorp generation facilities, or from purchase on the open market.

Based on the financial analysis, coupled with the risk of attempting to operate the plant with the current and likely unstable future river conditions, PacifiCorp has decided to file this request with the FERC to permanently cease generation early at the project. The request to cease generation is consistent with Section 5.1 of the Powerdale Settlement Agreement (PacifiCorp 2003), which states: *"...If PacifiCorp determines at its sole discretion at any time prior to decommissioning that, due to a catastrophic event that affects the Project, continued operation of the Project would be uneconomic, PacifiCorp may cease generating power at the Project"*.

The FERC Order also contemplates early project retirement, and states in *Section 3, Early Project Retirement, Item 28* that PacifiCorp may at some future date file a request to cease generation and retire the project earlier than the deadline adopted by the order. However, the Commission also makes it clear in Section 11 of the order that it supports the idea of delaying surrender until 2010 to allow for completion of fisheries studies being conducted at the fish sorting facility, because successful completion of studies is dependent on operation of the existing fish ladder and dam.

For the reasons discussed above PacifiCorp hereby requests to cease generation effective immediately. We will defer consideration of beginning formal decommissioning activities prior to April 2010 until we have consulted with the settlement parties.

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If you have any questions or wish to discuss this further please contact Dave Leonhardt, Implementation Program Manager at (503) 813-6658.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. A. Landolt', with a long horizontal flourish extending to the right.

R. A. Landolt  
Managing Director, Hydro Resources

RAL:BW:anp

**cc:** Hossein Ildari, Deputy Director  
Federal Energy Regulatory Commission  
Division of Hydropower Administration and  
Compliance  
888 First Street, NE  
Washington, DC 20426

Patrick Regan, Regional Engineer  
Federal Energy Regulatory Commission  
Division of Dam Safety and Inspections  
Portland Regional Office  
101 SW Main Street, Suite 905  
Portland, OR 97204

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Letter to FERC

via FEDEX

**Subject: Powerdale Hydroelectric Project, FERC Project No. 2659  
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